

Statement by Mayor Kenneth Gibson City of Newark before the  
Governor's Economic Recovery Commission, October 3, 1975.

Economic recovery is not a new issue in the State of New Jersey. The unemployment rate statewide never fell back to the national average after the last recession 5 or 6 years ago. In the cities, depression level unemployment has long existed in many areas and for certain ethnic and age groups. The situation is vivid for all of us, and I need not repeat the statistics in order to convince you of the serious situation we face today.

Nor are the remedies difficult to describe. I believe that we know how to bring about economic recovery - if we have the will to do so.

We know that New Jersey's tax structure is both regressive for individual taxpayers and discouraging for business and industrial investment. In particular, we know that high property taxes in central cities are a major deterrent to urban redevelopment.

We know that New Jersey has a long back-log of essential capital construction needs in transportation, housing, water resources, institutions, education and other areas. These capital needs were well delineated by the Governor's Commission on the Capital needs of New Jersey, before which I and other Newark officials appeared.

We know that economic development priorities sometimes are in conflict with environmental controls, but that much more often environmental protection is in harmony with, and even essential to, sound economic growth. We know that wasteful use of natural resources and unhealthy living conditions are harmful to economic growth in the long run. And at the same time, we recognize that inefficient administration of environmental controls is detrimental to the creation of jobs, which are essential to human livelihood.

I believe therefore, that the goals for economic recovery are matters about which there is broad agreement:

1. A tax reform program is still an essential requirement for New Jersey, despite the inability to agree on the actual terms of the program.

2. The State requires and has the fiscal capacity to undertake a major capital construction program which will require new sources of debt financing.

3. New Jersey must have adequate environmental controls for protection of air, water, and land resources; and these controls must be administered efficiently so as not to create unreasonable obstacles to economic development.

More specifically what are the programs to implement these economic recovery goals?

First, regarding taxes, the thorough restructuring required in New Jersey cannot occur without enactment of a major new

source of revenue. Local property taxes to support schools and municipal services continue to rise to increasingly prohibitive levels in our cities. Newark's 1975 tax rate is nearly \$10 per \$100 of assessed valuation, despite cuts we had to make in City services. You can well appreciate the effects of high property taxes on business location and expansion, as well as the maintenance and construction of housing. Two-thirds of Newark's land area is tax exempt because it supports local and regional public facilities, including the Airport, seaport, colleges, and cultural institutions. In addition, tax abatements must be granted in order to get mortgage financing to construct housing. It is certainly clear that economic recovery in urban areas depends upon reducing the burden of the property tax.

The only alternative revenue source which can raise, equitably and progressively, the large amounts of money needed to substitute for high local property taxes is a statewide graduated income tax. If this Commission can again put this difficult issue on New Jersey's public agenda, you will have made an important step toward economic recovery.

With regard to the state's capital construction program I advocated before the Capital Needs Commission the importance of building on what we already have. Rather than constructing new facilities to attract even more people into the far suburban fringe and rural areas, the state's construction program should redevelop and add to the vast facilities we already have in our urban areas. Even before the energy crisis, suburban sprawl

was a costly pattern of development. Now, energy conservation is a matter of national urgency. We cannot continue to support the kind of economic growth which depends on far-flung office commercial, and manufacturing plants. These developments are reached primarily by private automobiles, serviced by inefficient and costly water and sewer systems, and located too far from the unemployed labor force concentrated in our cities.

Projects, such as the proposed PATH extension to Newark International Airport and beyond, have the best characteristics for stimulating economic recovery. The PATH proposal would increase the redevelopment potential of Newark and the other urban areas along its route. The plans for a sports coliseum near Penn Station-Newark and a major hotel-office-commercial development at McClellan Street would be greatly aided by the PATH extension. The state Department of Transportation has estimated that 1800 construction jobs and 5000 related jobs will result from this project. If the Port Authority, Penn Central, and appropriate state and federal officials can finally make good on their three-year-old promise to rehabilitate Penn Station, there will be further economic gain for Newark and the region served by our public transportation system.

Looking more broadly at the role of Capital construction in New Jersey's economic recovery, we all recognize the crucial test which will occur at this November's election. Some of the bond issues proposed by the Governor and the Legislature have been controversial, and others are suffering from apathy and lack

of public attention. I had hoped that the four bond issues for transportation, housing water resources, and institutions would more fully reflect an urban redevelopment strategy than they do, but I am also aware of the compromises which must occur in this complex state.

Therefore, I am taking this opportunity to endorse strongly the passage of all four bond issues and to urge this Commission and the New Jersey electorate to work for approval of the entire \$923 million program. I know that full enactment of such a major program will be difficult in a period of economic hardship, but it is in just such a time that major public construction is needed to stimulate recovery. The state's needs were thoroughly analyzed by the MacNaughton Commission, and these bond issues will implement at least a portion of the recommended program.

Finally, with regard to the relationship between environmental and economic goals, I believe that too much has been made about environmental standards and enforcement being a cause of economic stagnation. Stagnation is the result of inadequate national economic policy, compounded in New Jersey by our tax structure and unmet capital needs. Environmental protection efforts are not a basic cause. Bureaucratic delays in proper enforcement of environmental legislation do hamper some projects, however, and should be eliminated as part of any economic recovery program.

More fundamentally, the work of environmental protection can stimulate the state's economy through the jobs created by water

pollution control facilities, solid waste resource recycling, and other programs. What is essential in constructing these facilities, however, is the priority that must be given to urban redevelopment, instead of continuing to build regional sewer systems in low-density fringe areas.

In conclusion, I hope that this Commission will not confine itself only to matters of state policy. The role of the federal government is critical to economic recovery in New Jersey. National economic policy must begin provide real stimulus for reducing unemployment. Nor can the federal government continue to ignore the economic crisis of New York and other cities, as reflected by a closed bond market. If cities and housing finance agencies cannot borrow money, there will be no economic recovery in New York, New Jersey, or elsewhere.